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INTRODUCTION

The Office of Internal Audit performed an audit of Greydale/Grand River District, Wayne County FIA for the period October 1, 1999 through June 29, 2000. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Greydale/Grand River District had 131 full time equated positions (FTE's) at the time of our review. Greydale/Grand River District provided assistance to an average 17,055 recipients per month during FY 1999, with total assistance payments of \$26,776,871 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Greydale/Grand River District, Wayne County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts

Cash Disbursements

Safe and Controlled Documents

Medical Transportation

Employment Support Services

CIS/ASSIST

State Emergency Relief (SER)

Payroll and Timekeeping

Client Processing

IRS Information Security

Procurement Card

Telephone Usage

Child Well Being

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Greydale/Grand River District internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

DISTRICT RESPONSE

The management of the Greydale/Grand River District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated July 24, 2000 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Daily Mail Record of Cash Receipts

1. The Greydale/Grand River District did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the office used the Record and Disposition of Checks/Warrants (FIA-61) to record all negotiables received in the mail. Accounting Manual Item 431 states that a FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the Greydale/Grand River District record all negotiables for deposit on the FIA-4729.

Open Items on FIA-61

2. Greysdale/Grand River District did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. We found 30 open items on the FIA-61, for the month of March 2000 where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on the FIA-61 provides documentation that returned checks/warrants were disposed of properly.

WE RECOMMEND that Greysdale/Grand River District record the disposition of all checks/warrants on the FIA-61.

WE ALSO RECOMMEND that Greysdale/Grand River District determine the disposition of the 30 open items on the FIA-61, and take the appropriate corrective action.

FIA-61 Log Reconciliation

3. The Greysdale/Grand River District did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND that the Greysdale/Grand River District perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

Cash Disbursements

Sign-O-Meter Record

4. Greystone/Grand River District did not prepare the Sign-O-Meter Record (FIA-4711), and perform the reconciliation as required by Accounting Manual Item 410.1. Instead the District was using the Check Signer Log Book that was issued with the check signing meter. Use of the Sign-O-Meter and reconciliation process helps to ensure that all checks that go through the check signer are accounted for in the accounting records.

WE RECOMMEND that Greystone/Grand River District use the Sign-O-Meter record and reconcile it to the Check Register each month.

Stamping Documents "PAID"

5. Greystone/Grand River District did not stamp supporting documents "PAID" when payment was made. The Accounting Manual Items related to each payment type require that supporting documents be stamped "PAID." Stamping supporting documents "PAID" helps prevent duplicate payments.

WE RECOMMEND that Greystone/Grand River District stamp supporting documents "PAID" when payment is made.

Safe and Controlled Documents

Controlled Document Log

6. Greystone/Grand River District did not properly control the blank Authorization Invoice (FIA-849). We noted that the local office was not preparing the Monthly Controlled Document Inventory and Reconciliation (FIA-4351), for the Authorization/Invoice (FIA-849) as required by Accounting Manual Item 403. Use of the Controlled Document Log and preparation of the Monthly Controlled Document Inventory and Reconciliation help to

ensure that loss, theft, or misuse of controlled documents, which could be used to generate unauthorized payments, would be detected on a timely basis.

WE RECOMMEND that Greydale/Grand River District prepare the Monthly Controlled Document Inventory and Reconciliation for the FIA-849 controlled documents.

Medical Transportation

No Findings in this area.

State Emergency Relief

Payment Authorization Files

7. Greydale/Grand River District did not maintain the files of Supplemental Payment Authorizations (FIA-13) in either alphabetical or case number order, as required by Accounting Manual Item 404. Rather, the local office was maintaining the FIA-13's in date order, attached to the monthly reconciliation report. Maintaining the FIA-13's in either alphabetical or case number order provides an audit trail to easily detect how many supplements a client has received, and makes the FIA-13's easy to retrieve if needed at a later date.

WE RECOMMEND that Greydale/Grand River District maintain FIA-13's in either alphabetical or case number order.

FIA-849 Payments

8. Greydale/Grand River District did not properly reconcile all payments listed on the FIA-849 Issuance Report (ES-440) with the FIA-849 and supporting documentation. We noted one case in our sample where the local accounting office did not have an FIA-849

on hand that was reflected on the ES-440 report. Accounting Manual Item 413 requires that the local office reconcile the amounts on the FIA-849 Issuance Report (ES-440) with the FIA-849 and attached vendor invoice. When a worker issues a payment the white copy of the FIA-849 is to be forwarded to the local accounting office to be maintained for reconciliation purposes.

WE RECOMMEND that Greydale/Grand River District reconcile all payments listed on the ES-440 Report with the FIA-849's and attached vendor invoices.

WE ALSO RECOMMEND that Greydale/Grand River District review the one payment referred to above, determine if the payment was appropriate, and take the necessary corrective action.

Employment Support Services

Vehicle Purchases and Repairs

9. Greydale/Grand River District did not document the client's need for a vehicle purchase in two of the eight case records reviewed; one case had incomplete case documentation for a vehicle repair. The Program Eligibility Manual (PEM) 232 requires documentation in the case record that vehicle purchases, repairs and items purchased through program support are necessary to obtain or retain employment, and that payments made for those items will enable the client to obtain or retain employment.

WE RECOMMEND that Greydale/Grand River District document that vehicle purchases, repairs, and items purchased through program support are necessary to obtain or retain employment, and that payments made for those items will enable the client to obtain or retain employment.

Client Processing

No findings in this area.

CIS/ASSIST

MA-010 Reconciliation - Openings and Warrant Rewrites

10. Greydale/Grand River District did not reconcile a sample of case openings and warrant rewrites listed on the MA-010 Report to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A sample reconciliation of openings and warrant rewrites provides assurance that cases were opened only by their assigned workers.

WE RECOMMEND that Greydale/Grand River District reconcile a sample of case openings and warrant rewrites to the case documentation.

CIS/ASSIST Status Codes

11. Eighty five of the 131 employees who access the Client Information System at the Greydale/Grand River District had status codes indicated on their CIS Security Agreement (FIA-3974A) that differed from their status as indicated on the PF-011 Report. Accurate, up-to-date Security Agreements are necessary to document that the employees are aware of the responsibilities and confidentiality requirements associated with their level of access on CIS.

WE RECOMMEND that Greydale/Grand River District ensure that accurate, up-to-date Security Agreements are on file for all employees who access CIS.

Missing ASSIST Enrollment Profiles and Security Agreements

12. One employee of the 131 employees at the Greendale/Grand River District who had access to ASSIST did not have an ASSIST Enrollment Profiles (FIA-3720) and 3 of the 131 employees did not have ASSIST Security Agreements (FIA-3721) on file, as required by L-Letter 97-156. Accurate, up-to-date Enrollment Profiles and Security Agreements provide documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that Greendale/Grand River District ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

Reconciliation of the MA-010, Separation of Duties

13. Six Family Independence Managers (FIM) have Full File Maintenance (FLM) status on the Client Information System (CIS) and one Section Manager at Greendale/Grand River District who performed the reconciliation of the Transaction Control Listing (MA-010) for ampersand transactions, has BUR status. These status codes allow the Managers to make changes to client cases and then process payments to those same cases on CIS with no independent review of the transactions.

WE RECOMMEND that Greendale/Grand River District either change the Managers to inquiry only status on CIS or have an independent person reconcile all transactions processed by the Managers on CIS.

IRS Information Security

Follow-Up of IRS Information

14. The Greydale/Grand River District did not properly record the disposition of action taken on the Internal Revenue Service (IRS) Data Control Sheet (FIA-4488) that. We noted that for the 10 entries on the FIA-4488, the disposition of the IRS letter (FIA-4487A) was not recorded or was blank on the FIA-4488. Program Administrative Manual Item 803 states that the local office should attempt to obtain release of confidentiality from the client or confirmation from a third party when the client does not respond and that the disposition of the FIA-4487A is to be documented on the FIA-4488. Recording the disposition of the FIA-4487A is necessary to determine the form was properly disposed of and the confidentiality of the document was maintained.

WE RECOMMEND that Greydale/Grand River District properly document the disposition of the FIA-4487A on the Data Control Sheet.

Knowledge of IRS Security Procedures

15. Mailroom staff at Greydale/Grand River District was unaware of the proper procedures to follow for confidential information received from the IRS. Program Administrative Manual (PAM) Item 803 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that Greydale/Grand River District familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

Payroll and Timekeeping

No findings in this area.

Procurement Card

No findings in this area.

Telephone Usage

No findings in this area.

Child Well Being

No findings in this area.